

Section 232 National Security Investigation of Aluminum Imports
Testimony of Bob Prusak

June 22, 2017

Good morning. My name is Bob Prusak. I am the Chief Executive Officer of Magnitude 7 Metals. Magnitude 7 Metals recently purchased Noranda's idled smelter located in New Madrid, Missouri. Thank you for this opportunity to testify today and explain why Section 232 relief is necessary for the domestic aluminum industry. My many years of experience in this industry make it abundantly clear to me that domestic primary aluminum production is in the midst of a crisis driven by Chinese overcapacity, declining global prices (for instance, the LME price has declined 39% between 2007 and 2016), and rising imports. Put simply, our industry is at a critical turning point and at risk of disappearing absent much needed relief.

The number of domestic aluminum smelters in the United States has fallen from 23 in 2010 to 5 today, with only 2 two running at capacity. I would like to talk to you about two of these smelters today – Ormet and Noranda. I have a personal connection to both.

I served on the board of Ormet Corporation, a domestic producer of primary aluminum, from 2007 to its closure in 2014. In early October 2013, Ormet announced it was curtailing the operations of its 272,000-ton smelter in Hannibal, Ohio, which is located along the West Virginia border south of Wheeling. Ormet started producing aluminum at its reduction plant in 1956. Like other U.S. smelters,

in the years leading up to its closure, Ormet's production suffered from falling aluminum prices and rising imports, largely driven by global and principally Chinese overcapacity. Ormet laid off roughly 1,000 workers in 2013 – most of them unionized steelworkers. With market conditions continuing to deteriorate, at the end of July 2014, Ormet could no longer withstand the onslaught and announced the permanent closure of its smelter, firing the last twenty workers and dashing any hope that its operations would be revived.

Not only did Ormet's closure deal a heavy blow to the workers and their families relying on the company for a decent wage, it also sent shock waves throughout the Ohio River communities. Ormet was effectively the sole employer in both Clarrington and Hannibal, Ohio, and was the largest employer in New Martinsville, West Virginia. When Ormet closed, those towns were decimated.

Unfortunately, this story has been repeated in communities throughout the United States. Just last October, my company purchased Noranda's distressed smelting assets out of bankruptcy. As with Ormet, Noranda's New Madrid smelter was forced to shut down after more than 50 years in operation. Also like Ormet, Noranda produced primary aluminum for semi-finished aluminum products used in both U.S. military and critical infrastructure applications that are vital to U.S. national security.

Roughly 900 high paying, high skilled jobs were lost when Noranda closed, with many workers still out of work. When the smelter was operational, the company and its employees spread roughly \$45 million dollars throughout Southeast Missouri. With this money gone, everyone – from local restaurants and business to the local school district – felt the pain. Madrid County, where the smelter is located, also took a big hit, losing millions of dollars of tax revenue annually. As a result, the local government was forced to delay projects, institute hiring freezes, slash infrastructure spending, and postpone wage increases. Community programs were negatively impacted, as well as the local police and ambulance services. Because the revenue from Noranda comprised nearly 17 percent of the entire budget for the New Madrid School District, a budget deficit resulted, leading to layoffs, staff reductions, and program cuts. In the span of only one year, the unemployment rate in New Madrid County increased by more than 3 percentage points.

Ormet and Noranda are not alone. Again, they are only two among 23 domestic smelters that have shuttered operations since 2010. While my company recently purchased Noranda's smelting assets out of bankruptcy, the facility is not yet operational. We are currently negotiating a new power contract and hope to restart operations soon. However, without comprehensive Section 232 relief, our ability to fully restart operations is far from certain. Relief is nothing short of critical to get Noranda back up and running, and bring New Madrid back to life.

This leads me to my final point. Section 232 relief must be broadly granted to the domestic aluminum industry and not riddled with exclusions that prevent the industry from getting back on its feet. Relief on high-purity alone is insufficient to bring aluminum production back to the United States. If we continue to allow imports to erode our market share of primary aluminum, we will lose the ability to produce all primary aluminum including high-purity aluminum. Our primary aluminum production must be viable to justify our high-purity production. The United States must maintain its domestic smelting capabilities because primary aluminum is used to produce a variety of semi-finished products for U.S. national security applications. Finally, I would stress that excluding any import sources other than Canada from Section 232 relief would undermine any relief granted to the point where the U.S. industry would see virtually no benefits. If the United States is going to maintain its ability to produce the aluminum that is vital to our national security, we cannot allow the relief to be undermined.

Thank you for your time and consideration.